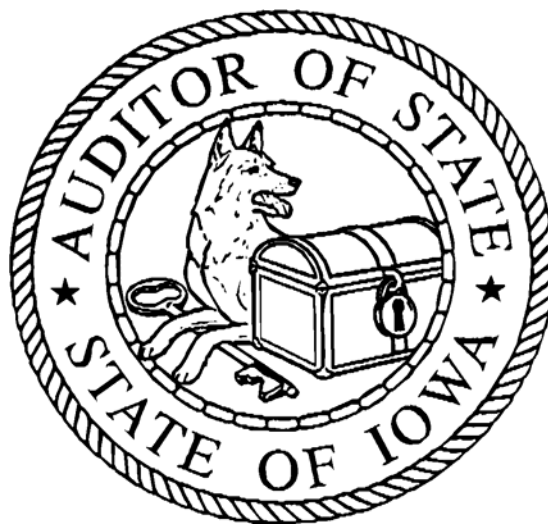


CITY ACCRUAL AUDIT PROGRAM GUIDE

(for use in conjunction with the City Audit Program Guide)

For the year ended June 30, 2006



DAVID A. VAUDT, CPA
AUDITOR OF STATE

CITY _____

June 30, 2006

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CITY _____

June 30, 2006

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objective: A. Provide a document which links the report or financial statements to supporting workpapers. Audit Procedures: A. Record, as necessary, accrual activity and adjusting journal entries. 1. The adjusting journal entries should be consolidated on a separate page, numbered, briefly explained or described and referenced to supporting workpapers. 2. Determine amounts due to/from Agency Funds are eliminated and recorded as cash adjustments. 3. Obtain and document approval of City and concurrence for adjusting journal entries. 4. Reconcile reversing journal entries with prior year report. B. Prepare closing entries for each fund, if applicable. C. Prepare cashflow worksheets for proprietary funds. The worksheets should reconcile the changes in assets, liabilities and fund equity and the operating statement activity to the cash flows for each fund. Reference the amounts on the cashflow worksheets to supporting workpapers. D. Record full accrual entries for the entity wide statements. 1. The entries should be briefly explained or described and referenced to supporting workpapers. Information should be sufficient to prepare reconciliation between fund financials and entity wide statements. 2. Reconcile reversing journal entries with prior year report. 3. Allocate Internal Service Funds net profit/loss to the functions benefited from the services provided. 4. Obtain City's concurrence for full accrual journal entries 5. For initial year of implementation, prepare journal entries necessary to restate the beginning of the year balance to full accrual.	A				

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for trial balances, and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

INVESTMENTS

[illegible]

CITY _____

June 30, 2006

RECEIVABLES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions: 1. Existence and Occurrence 2. Completeness 3. Rights and Obligations 4. Valuation and Allocation 5. Presentation and Disclosure Audit Objectives: A. Accounts receivable are valid and have been billed in the proper amounts, for services rendered. (1,3) B. Accounts receivable include all amounts still owed for activities through the end of the period. (2) C. An adequate allowance for uncollectible accounts has been established, and revenue, accounts receivable and related disclosures are properly presented in the combined financial statements. (4,5) Audit Procedures: A. Obtain or prepare schedules of receivables. 1. The schedules should include: a. Property and other tax receivable. b. Accounts receivable. c. Succeeding year property tax receivable (GASB 33). d. Accrued interest. e. Amounts due from other governments (Including grants). f. Amounts due from other funds. g. Special assessments. h. Utility billings receivable. i. Unbilled usage receivable. j. Other (list): _____ _____ _____ _____ 2. Reconcile receivables to the trial balance. 3. Confirm material receivables, if applicable, and investigate any discrepancies. 4. Document reason(s) for not confirming. B. Alternative procedures to confirmation. 1. Perform tests to verify receivables represent goods/services performed prior to June 30. 2. Trace receivables to subsequent receipt and deposit. C. Test deposits made in the next year to determine if amounts should have been recorded as a receivable in the current year.					
	B				
	A,B				
	A,B				
	B				

June 30, 2006

[illegible]

CITY _____

June 30, 2006

PREPAID EXPENSES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions:					
1. Existence and Occurrence					
2. Completeness					
3. Rights and Obligations					
4. Valuation and Allocation					
5. Presentation and Disclosure					
Audit Objectives:					
A. Prepaid expenses are properly recorded and represent a complete listing of material costs that are allocable to future periods and are properly amortized on a basis consistent with that used in prior periods. (1,2,3,4)					
B. Prepaid expenses are properly described and classified and related disclosures are adequate. (5)					
Audit Procedures:					
A. Obtain or prepare a schedule of material prepaid expenses.					
B. Examine supporting documentation and verify reasonableness of computed prepaid amounts.	A				
C. Prepare a summary of tests performed and review for adequacy.					
D. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
E. Determine whether prepaid expenses are properly classified and disclosures are adequate.	B				

Incharge _____ Date _____
 Manager _____ Date _____
 Independent
 Reviewer _____ Date _____

CITY _____**June 30, 2006****INVENTORY**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions:					
1. Existence and Occurrence					
2. Completeness					
3. Rights and Obligations					
4. Valuation and Allocation					
5. Presentation and Disclosure					
Audit Objectives:					
A. Inventory recorded represents a complete listing of materials and supplies owned by the City and such assets are physically on hand. (1,2,3)					
B. Inventory listings are accurately priced, extended, footed and summarized and the totals are properly reflected in the accounts. (4)					
C. Inventory is properly classified by fund type in the combined balance sheet and disclosure is made of related equity reserve if appropriate. (5)					
Audit Procedures:					
A. Inventory Observation					
1. Test count a selection of items. Count items of larger dollar and quantity amounts.	A				
2. Trace amounts of inventory per listing to amounts on hand.					
3. Trace amounts of inventory on hand to amounts on listing.					
4. Obtain cut-off information.					
5. Document any reason(s) inventories were not observed.					
B. Obtain a final inventory listing at June 30 and trace auditor's counts into this listing.	A,B				
1. Foot listing and test extensions of selected items for mathematical accuracy.					
2. Review list for reasonableness.					
3. Evaluate cut-off procedures.					
C. Price Tests	B				
1. Determine inventory valuation method.					
2. Make a list of inventory items to be price tested and request City to locate invoices.					
3. Verify unit costs of inventory items selected.					
4. If applicable, trace to perpetual records.					
D. Prepare a summary of tests performed and review for adequacy.					

INVENTORY

[illegible]

CITY _____

June 30, 2006

CAPITAL ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions:					
1. Existence and Occurrence					
2. Completeness					
3. Rights and Obligations					
4. Valuation and Allocation					
5. Presentation and Disclosure					
Audit Objectives:					
A. Capital assets represent a complete and valid listing of capitalizable cost of assets purchased, constructed or leased by the City, and are physically on hand. (1,2,3,4)					
B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. (1,2,3,4)					
C. "Deletions" of capitalized costs and, if applicable, related depreciation associated with all sold, abandoned, damage or obsolete capital assets have been removed from the accounts. (1,2,3,4)					
D. Depreciation and the related allowance account has been computed on an acceptable basis consistent with that used in the prior year. (1,2,3,4)					
E. Capital expenditures and capital assets are properly classified by fund or type of activity in the combined financial statements and related disclosures are adequate. (5)					
Audit Procedures:					
A. If capital assets have previously been reported:	A				
1. Obtain a reconciliation of capital asset activity for the fiscal year.					
2. Document the capitalization policy for each class of asset.					
3. If applicable, determine when retroactive reporting of infrastructure assets will occur. (Phase I governments may elect to delay retroactive reporting of infrastructure assets until fiscal years beginning after June 15, 2005 and Phase 2 governments until June 15, 2006. Phase 3 governments are not required to report infrastructure assets retroactively.)					
4. Trace a selection of equipment additions to the list of assets.					
a. Determine major additions were authorized by the Council.					
b. Determine classification as an asset, rather than repair and maintenance expense, is consistent with policy.	E				
c. Observe existence of the fixed asset addition.	A				

CITY _____**June 30, 2006****CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>d. If capital asset additions were not included in the expenditure test population, examine invoices and other supporting documentation for each tested addition.</p> <p>5. For reporting:</p> <p>a. Identify related expenditure functions for capital asset additions. Prepare journal entry to eliminate these expenditures from entity wide statements.</p> <p>b. Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets that were acquired through expenditures made by other governments.</p> <p>c. Analyze the capital projects expenditures to determine completeness of capital asset additions and discuss with City management whether uncapitalized expenditures should be reclassified to repair and maintenance.</p> <p>d. For construction in progress, determine and document the status at year-end.</p> <p>6. Deletions:</p> <p>a. Trace to supporting documentation.</p> <p>b. Trace to authorization.</p> <p>c. Trace proceeds to cash receipts journal.</p> <p>d. Determine the gain/loss on disposal of capital assets.</p> <p>7. Trace a selection of capital assets to physical existence.</p> <p>a. Select items to trace from the listing to the actual asset.</p> <p>b. Select items to trace from the actual asset to the listing.</p> <p>8. Foot additions, deletions and capital asset listing.</p> <p>9. Depreciation:</p> <p>a. Document depreciation policy and useful lives used by each class of asset.</p> <p>b. Determine if depreciation methods and useful lives are consistently applied.</p> <p>c. Verify mathematical accuracy.</p> <p>d. Test computation of depreciation expense and extension of accumulated depreciation.</p> <p>e. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.</p>					
	C				
	A				

CITY _____**June 30, 2006****CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
B. If capital assets have not been previously reported:					
1. Determine asset valuation basis.					
2. Review records for adequacy and completeness.					
3. If auditable, select items from each category, (land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress) and physically inspect those items.	A				
4. From machinery and equipment selected in (3) above, trace original cost to contracts, invoices, etc., to determine accuracy of cost. For land, buildings, improvements other than buildings, infrastructure and construction in progress, trace material items to contracts, invoices, etc., to determine accuracy of costs.					
5. Trace a selection of actual assets to the listing.	A				
6. Foot capital asset listing if maintained manually.					
C. Analyze equipment leases to determine if they meet FASB 13 and FASB 145 criteria.	E				
D. If an impairment of capital assets exists under GASB 42 criteria:					
1. Determine appropriate adjustments were made to the asset valuation.					
2. Determine required disclosures were included for capital asset impairments.					
3. Determine insurance recoveries on impaired assets were properly recorded.					
E. Prepare a summary of tests performed and review for adequacy.					
F. Determine if risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
G. Determine whether capital assets are properly classified and disclosures are adequate.					

CAPITAL ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for capital assets, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

CITY _____

June 30, 2006

LIABILITIES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions: 1. Existence and Occurrence 2. Completeness 3. Rights and Obligations 4. Valuation and Allocation 5. Presentation and Disclosure Audit Objectives: A. Liabilities at the statement of net assets date are properly supported. (1) B. Liabilities are properly authorized, represent the correct amounts of currently payable items in the proper period and reflect all outstanding obligations. (2,3,4) C. Liabilities are properly recorded, classified and disclosures are adequate. (5) Audit Procedures: A. Current Liabilities 1. Obtain or prepare a list of payables and identify amounts as follows: a. Accounts payable b. Accrued payroll and payroll taxes. c. Due to other funds. d. Due to other governments. e. Contracts payable (including retainage, if applicable). f. Anticipatory warrants. g. Accrued interest. h. Matured portion of accrued compensated absences for governmental funds. i. Estimated losses from loss contingencies (including incurred but not reported claims relating to self insurance funds). j. Customer deposits payable k. Matured portion of termination benefits for governmental funds. l. Other (list): _____ _____ _____ _____ 2. Foot listings for accuracy.					

CITY _____**June 30, 2006****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Test the accuracy and classification of recorded liabilities by examining supporting documentation.	A,B,C				
B. Deferred Revenue					
1. Determine a deferred revenue account is established for delinquent property taxes, succeeding year property taxes, and other revenues have been accrued that are measurable but not available.					
2. Determine reasonableness of deferred accounts.					
3. Trace to supporting documentation.	A,B				
C. Compensated Absences					
1. Review the City's policies for earned vacation, sick leave and related FICA/IPERS benefits.					
2. Obtain a summary of compensated absences at June 30 and foot the summary.					
3. Determine the amounts have been determined in accordance with the provisions of GASB 16, including salary-related payments such as employer's share of social security and pension plan contributions, as applicable.					
4. Distinguish between:	C				
a. Matured portion for retirement or resignation not paid at June 30 for governmental funds.					
b. Long term portion:					
1) Due within one year.					
2) Due after one year.					
5. Review for reasonableness.	B				
6. Select amounts to test the validity of compensated absences:	A,B, C				
a. Trace to supporting data.					
b. Recalculate hourly rate, number of hours earned, and unused and extensions.					
c. Determine appropriateness of charges to various funds.					

June 30, 2006

LIABILITIES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>D. Long-Term Debt</p> <ol style="list-style-type: none"> 1. Obtain or prepare a schedule of long-term debt including the following: <ol style="list-style-type: none"> a. General obligation bonds. b. Lease-purchase agreements/capital leases. c. Installment purchase contracts. d. Judgments and claims. e. Compensated absences: <ol style="list-style-type: none"> 1) portion due within one year. 2) Portion due after one year. f. Termination benefits. g. Other (list): <div style="margin-left: 20px;"> <hr/> <hr/> <hr/> <hr/> </div> 2. Determine the reasonableness of the amounts recorded. 3. Termination benefits <ol style="list-style-type: none"> a. Review the entity's termination benefits plan and determine that the plan was properly approved. b. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the entity's current year expense and liability as of June 30. c. Distinguish between: <ol style="list-style-type: none"> 1) Matured termination benefits not paid at June 30 for governmental funds. 2) Long-term portion. <div style="margin-left: 20px;"> . due within one year. . due after one year. </div> d. Select a number of eligible employees under the plan to determine if: <ol style="list-style-type: none"> 1) the employees meet the requirements noted in the policy. 2) the employees were properly approved for participation in the plan. 3) the current year expense and liability were properly calculated as of June 30. 	A,B				
	B C				
	A,B				

CITY _____**June 30, 2006****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
e. Inquire of entity personnel about other eligible employees not included in the list. f. Prepare the necessary footnote disclosure, including: 1) A general description of the termination benefit arrangements, including, but not limited to: . Information about the type(s) of benefits provided. . The number of employees affected. . The period of time over which benefits are expected to be provided. 2) The costs of termination benefits in the period in which the employer becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements. 3) The significant methods and assumptions used to determine the termination benefit liabilities and expenses.	C				
E. Unrecorded Liabilities 1. Perform a search for unrecorded liabilities, including the following sources, and schedule findings to show the effect of the potential adjustment on operations or financial position: a. Examine files of receiving reports unmatched with vendors' invoices, searching for significant items received on or before the balance sheet date. b. Inspect files of unprocessed invoices and vendors' statements for unrecorded liabilities. c. Review the cash disbursements journal for disbursements after the balance sheet date; obtain and examine supporting detail for each disbursement of \$ _____ and over and determine accounts payable as of the statement of net assets date were properly recorded. d. Inquire of responsible client staff about their knowledge of additional sources of unprocessed invoices, unrecorded commitments, or contingent liabilities. Indicate who responded to our inquiry in the remarks columns.	B,C				
F. Prepare a summary of tests performed and review for adequacy.					
G. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

CITY _____**June 30, 2006****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
H. Determine whether liabilities are properly classified and disclosures are adequate.	C				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for liabilities, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____	Date _____				
Manager _____	Date _____				
Independent Reviewer _____	Date _____				

CITY _____**June 30, 2006****FUND BALANCE/NET ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Financial Statement Assertions:					
1. Existence and Occurrence					
2. Completeness					
3. Rights and Obligations					
4. Valuation and Allocation					
5. Presentation and Disclosure					
Audit Objectives:					
A. All and only properly authorized reservations and designations of the fund balance are recorded. (1,2)					
B. Components of fund balances are determined in accordance with state and local regulations and requirements. (3)					
C. Components of fund balances and changes in fund balances are properly computed and are described, classified and disclosed appropriately, as applicable, in the entity wide and/or fund financial statements. (4,5)					
Audit Procedures:					
A. Reconcile beginning and year-end fund balance. (Note: For convenience, the term "fund balance" is used in this section as a broad term to describe all components of fund equities. Fund equities of proprietary fund types consist of retained earnings, which may have reserved and unreserved components.)					
B. Analyze and verify the changes in all fund balances and trace to supporting documentation, as applicable.	A,C				
C. Determine the proper amount of fund balance has been reserved for inventories, prepaid expenses, supplemental levies or other items, as applicable.	B				
D. Determine reservations and/or designations of fund balances were properly authorized based on review of the minutes, debt agreements, etc. (i.e. amounts maintained in a trust fund for closure/postclosure financial assurance should be recorded as restricted assets.)	A,B				
E. Determine on the entity wide statements the proper classification of net assets:					
1. Invested in capital assets net of related debt.					
2. Restricted net assets.					
3. Unrestricted net assets.					
F. Determine the proper classification of fund balance for report purposes.	C				
G. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

June 30, 2006

FUND BALANCE/NET ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for fund balance/net assets, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

CITY _____

June 30, 2006

INSURANCE AND SELF INSURANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>NOTE: This section should be used for GAAP cities in place of the "Insurance and Self Insurance" section in the City audit program.</p> <p>Financial Statement Assertions:</p> <ol style="list-style-type: none"> 1. Existence and Occurrence 2. Completeness 3. Rights and Obligations 4. Valuation and Allocation 5. Presentation and Disclosure <p>Audit Objectives:</p> <ol style="list-style-type: none"> Claims paid in the period are recorded correctly as to account, amount and period and are disbursed in accordance with the City's policies and procedures for claims settlement. (1,3,4) Reserves for claim losses represent a reasonable estimate of the City's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4) Insurance (self-insurance) revenues, operating transfers, expenditures, assets, liabilities and fund equity (retained earnings) are properly classified and described in the fund financial statements and related disclosures are adequate. (5) <p>Audit Procedures:</p> <ol style="list-style-type: none"> Inquire about the City's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to: <ol style="list-style-type: none"> Determine if reasonable and current. Determine significant areas in which risk is retained. If a separate insurance fund has been established, consider analytical procedures such as comparing claims disbursements/expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable). Review charges by the insurance fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification, Section C50.121-126). <ol style="list-style-type: none"> If General Fund is used, may use any method to allocate loss expenditures/expenses to other funds of the entity. Transactions constituting reimbursements of the General Fund for expenditures/expenses initially made from it properly applicable to another fund should be reported as expenditures or expenses in the reimbursing fund and as 					
	A,B				
	A				
	B				

CITY _____**June 30, 2006****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>reductions of the expenditure/ expense in the General Fund.</p> <p>2. If Internal Service Fund is used, may use any basis considered appropriate to charge other funds as long as the total charge is either calculated in accordance with the criteria of FASB 5 or is based on an actuarial method or historical cost information and adjusted over a reasonable period of time. If latter method is used (actuarial method or historical cost information method), an additional charge may be made to other funds representing a reasonable provision for expected future catastrophic losses. Charges (billings) should be recognized as revenue by the Internal Service Fund and as expenditures/expenses by the other funds.</p> <p>3. For either General or Internal Service Funds, billings in excess of the accrual should be accounted for as operating transfers.</p> <p>F. Review estimates of losses from claims with a responsible official and determine if properly recorded as an expenditure/ expense and liability. Estimates should include:</p> <p>1. Reported claims meeting criteria of FASB 5 and GASB Codification, Section C50.110-120.</p> <p>2. Incurred but not reported (IBNR) claims that meet criteria of FASB 5. Determine the basis used to estimate IBNR claims is reasonable.</p> <p>3. If the City participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meets criteria of FASB 5.</p> <p>4. If the City participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with responsible official and determine if liability should be recorded based on certain conditions.</p> <p>5. If the City participates in a public entity risk pool, inquire with responsible official about the City's plans for continuing its participation in the pool. If the City has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate.</p> <p>G. If the City has a self-funded health insurance plan, including self-funded deductibles:</p> <p>1. Obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa.</p>	B				
	B,D				

CITY _____**June 30, 2006****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Examine report to determine reasonableness of reserves. Determine if additional liability should be recorded in City's financial statements.					
H. If an outside administrator or service company is used:	A,B				
1. Obtain a copy of the annual report on the status of the program.					
2. Review report for estimates of liabilities for claims filed and IBNR claims.					
3. Compare report with prior periods and discuss any unusual variances with responsible official.					
4. Compare amounts in report with recorded estimated liabilities.					
I. Determine adequacy of financial statement presentation and disclosures.	C				
1. Financial statement presentation considerations should include:					
a. If a single fund is used to record risk financing activities, should be either General Fund or Internal Service Fund.					
b. Loss liabilities for governmental and special revenue funds should be recognized using the modified accrual basis of accounting (i.e. current portion recorded as an expenditure and fund liability and long-term portion recorded in the entity wide statements).					
c. Loss liabilities for an Internal Service Fund (or other proprietary funds) should be recorded as a fund liability of the Internal Service Fund (or other proprietary funds).					
d. For Internal Service Funds, any amount in retained earnings arising from an optional additional charge for catastrophic losses should be reported as designated.					
e. If the City participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.					
f. If the City made contributions to a public entity risk pool with transfer or pooling of risk:					
1) Determine contributions are recorded as deposits if a return of those contributions is probable.					

CITY _____**June 30, 2006****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2) If not probable, then determine contributions are recorded as prepaid insurance to be allocated as expenditures/expenses over future periods <u>or</u> alternatively, in governmental funds, as expenditures in the period made.</p> <p>2. Disclosures should include:</p> <p>a. Description of risks of loss the City is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool, or risk retention). Describe significant reductions, if any, in insurance coverage from the previous year by major category of risk, and any settlements in excess of insurance coverage in any of the prior three fiscal years.</p> <p>b. If the City participates in a public entity risk pool, describe the nature of participation and rights and responsibilities of the entity and the pool.</p> <p>c. If the City retains some risk of loss, include the additional disclosures required by GASB 10 (GASB Codification, Section C50.144(d)).</p> <p>d. For Internal Service Funds, also disclose:</p> <p>1) deficit fund balance.</p> <p>2) retained earnings resulting from optional charges for catastrophic losses.</p> <p>J. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p>					

CITY _____**June 30, 2006****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for insurance and self-insurance, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					